
Plan 3 for PERS, SERS and TRS members

Recovery of Withdrawn or Optional Service Credit

The actual provisions governing the recovery of withdrawn or optional service credit are contained in the Revised Code of Washington (RCW). This publication is a summary of those provisions, not a complete description of the law, and describes provisions currently in effect. If there are any conflicts between what is written in this brochure and what is contained in the law, the applicable law will govern.

This publication relates to the following retirement systems:

- Public Employees' Retirement Systems (PERS) Plan 3
- School Employees' Retirement Systems (SERS) Plan 3
- Teachers' Retirement System (TRS) Plan 3

The information in this brochure is intended for Plan 3 members wishing to reinstate withdrawn Plan 3 contributions; apply for "optional" service credit; recover withdrawn Plan 2 service credit; or restore service credit under the rules of dual membership.

Reinstating withdrawn Plan 3 contributions

Plan 3 members wishing to reinstate withdrawn Plan 3 contributions may do so at any time after reestablishing membership. Reinstated contributions go directly into a member's defined contribution account. Members do not pay interest on funds they are reinstating. Also, members may reinstate all or only a portion of the funds that they withdrew from their Plan 3 defined contribution account. There is no time limit for reinstating withdrawn Plan 3 contributions.

Funds reinstated into the Plan 3 account will not be refunded, and are not eligible to be withdrawn until the member leaves employment or is eligible to withdraw. If you have questions regarding reinstatement of withdrawn Plan 3 contributions, see the Department of Retirement Systems' (DRS') contact information on page 4.

Applying for optional service credit

In addition to reinstating withdrawn Plan 3 contributions, Plan 3 members may also purchase service credit for eligible periods of public service or qualifying leaves of absence. This is referred to as "optional service." Optional service can be acquired by paying contributions within a specific time period immediately after returning to normal active service. **If statutory deadlines have passed, you can still recover optional service credit.** Though it is considerably more expensive than recovering the service within the statutory deadline, optional service credit can be purchased any time during active membership under Service Credit Purchase provisions. If you have questions about optional service credit, please see the DRS contact information on page 4.

Some common types of optional service:

- An authorized leave of absence (PERS, SERS, TRS)
- Temporary duty disability (PERS, SERS)
- Legislative employment (PERS, SERS)
- Military service that interrupts employment (PERS, SERS, TRS)
- Service as an elected official (PERS, SERS)
- Service in the Statewide City Employees' Retirement System (PERS)

DRS
DEPARTMENT OF
RETIREMENT
SYSTEMS

Recovering Plan 2 service credit

Plan 3 members may recover withdrawn Plan 2 service credit under the rules of restoration, or by purchasing service credit. The rules for each method of service credit recovery are listed below. Plan 3 members may also be eligible to recover service credit under the rules of dual membership. For dual membership rules, please see page 4.

Restoration:

A member returns to the same system from which a withdrawal was made and completes restoration within 60 months after returning to service. See below.

Service Credit Purchase:

If deadlines pass before restoration is completed, a member still has the option to purchase withdrawn service credit. See page 3.

Rules for restoration of Plan 2 service credit

Under restoration rules, Plan 3 members can repay the full amount of their original Plan 2 withdrawal. Restorations can be paid in a lump sum, or in installment payments. Rules for members who may qualify for dual member restoration are covered on page 4 of this brochure.

To qualify for restoration

Plan 3 members may not restore Plan 2 service credit unless they have reestablished membership by working in a position covered by the same system from which they withdrew. Once membership has been reestablished, Plan 3 members do not need to be working to start or complete payments for restoration of withdrawn Plan 2 contributions. Plan 3 members must initiate and complete restoration payments before statutory deadlines for restoration expire or retirement, whichever comes first. If you wish to apply for restoration, see contact information on page 4.

Restoration deadlines and payment options

When restoring withdrawn Plan 2 contributions, you are required to initiate and complete restoration payments within a specific time period after reestablishing membership or becoming employed in an eligible position. Restoration payments must be completed before statutory deadline or retirement, whichever comes first. Except where dual membership is involved, payment must be completed within 60 calendar months of returning to service. Dual member restoration rules are outlined on page 4.

If employment is terminated prior to completing restoration payment

As a Plan 3 member, if you reestablish membership, you can initiate and/or continue your Plan 2 restoration payments even if you subsequently leave active service. If you again leave service, you must complete payment for the withdrawal by the original deadline or the service is not recoverable under restoration rules. Service credit that is no longer recoverable under restoration rules can be regained using the service credit purchase option.

Rollovers and transfers

In many cases it is possible to roll funds from another tax-deferred retirement account to Plan 3 to satisfy restoration or service credit purchase billings. You are advised to check with the administrator of your tax-deferred account to see if it can be rolled or transferred to DRS. PERS, SERS and TRS Plans 3 are classified by the Internal Revenue Service (IRS) as 401(a) plans. Funds in excess of billing cannot be rolled into these DRS-administered plans.

EXAMPLE: Leaving service prior to completion of restoration

Mary is a former Plan 2 member. In 1992, after six years of service, Mary ended employment and withdrew her accumulated Plan 2 contributions. In 1996, she returned to work, transferred to Plan 3 and began restoration of the old Plan 2 credit in installment payments. Under restoration rules, she had five calendar years (60 months) to complete payment.

In 2000, after four years in Plan 3, Mary again left employment without having completely restored her withdrawn Plan 2 service credit. She elected not to complete payment after separating from service, and her deadline (60 calendar months) subsequently passed. Since she did not completely restore her Plan 2 service credit, she receives no service credit under the rules of restoration. There is no “partial” restoration of service credit.

Rules for purchasing Plan 2 service credit after the statutory deadline

If the statutory deadline for repaying withdrawn or optional service credit has passed, you may still recover your service credit under the Service Credit Purchase law of 1994 (RCW 41.50.165(2)). Service credit purchased under this law costs significantly more than if restored within the statutory deadline. The cost is based on the increased value of your retirement benefit, not on the amount of withdrawn contributions. **If you purchase service credit under this law, 50 percent of the amount you pay will be credited to your defined contribution account and the remainder will be used to fund the one percent defined benefit.** If you wish to apply for service credit purchase, you must contact DRS. (See contact information on page 4.)

Calculating the cost for Plan 2 service credit purchase

DRS uses a formula based on the following:

- Your highest average earnings as defined for computing your benefit in the system in which you are purchasing service credit. This definition can be found in the Member Handbook.
- The amount of service credit being purchased.
- An actuarial factor based on the difference between your current age and the normal retirement age (65), and the system under which the service credit was earned. (See table at right.)

BASIC FORMULA : SERVICE CREDIT PURCHASE

$$\begin{aligned} &\text{Average Earnings} \times \text{Service Credit Being Purchased} \\ &\times \text{Actuarial Factor for your plan (see table at right)} \\ &= \text{Purchase Price} \end{aligned}$$

Basic Formula Actuarial Factors

Actuarial factors are subject to periodic change. The table below was accurate as of May 2002. Check with DRS for current tables.

Years until Retirement	PERS/SERS	TRS
0	0.2345	0.2585
1	0.2301	0.2537
2	0.2258	0.2490
3	0.2216	0.2443
4	0.2175	0.2398
5	0.2134	0.2353
6	0.2095	0.2310
7	0.2056	0.2267
8	0.2018	0.2224
9	0.1980	0.2183
10	0.1943	0.2142
11	0.1907	0.2103
12	0.1872	0.2063
13	0.1837	0.2025
14	0.1803	0.1987
15	0.1769	0.1950
16	0.1736	0.1914
17	0.1704	0.1878
18	0.1672	0.1844
19	0.1641	0.1809
20	0.1610	0.1776
21	0.1581	0.1743
22	0.1551	0.1710
23	0.1522	0.1678
24	0.1494	0.1647
25	0.1466	0.1616
26	0.1439	0.1586
27	0.1412	0.1557
28	0.1386	0.1528
29	0.1360	0.1499
30	0.1335	0.1472

EXAMPLE: Purchasing service credit

James is an active PERS Plan 3 member working for a state agency. Early in his career he left his PERS Plan 2 job and withdrew the two years' contributions he had accumulated. Later, he returned to another PERS Plan 2 job but did not restore within 60 months. When James decided to purchase his withdrawn Plan 2 service credit, he had 10 years until he would be eligible for normal retirement under Plan 3 (age 65). His average earnings are \$36,000 per year. His calculation is as follows:

$$\begin{aligned} &\text{Average Earnings} \times \text{Years Purchased} \times \text{Actuarial Factor} = \text{Basic Purchase Cost} \\ &\$36,000 \times 2 \text{ years} \times 0.1943 = \$13,989.00 \end{aligned}$$

Rules for dual member restoration

For restoration under dual membership, you must repay the amount withdrawn within 24 months of becoming a dual member or before you retire, whichever comes first. Dual member restoration rules and deadlines apply to all dual member systems and plans.

Who qualifies as a dual member?

A dual member:

- Is currently an active member of one or more of the following plans: PERS Plans 1, 2 and 3; TRS Plans 1, 2 and 3; SERS Plans 2 and 3; LEOFF Plan 2; and WSPRS Plans 1 and 2, and
- Has previously been a member of one or more of the systems listed above or the Statewide City Employees' Retirement System (SCERS) in addition to the system in which he or she is currently a member, and
- Is not receiving a service or disability retirement benefit from any public retirement system in the state of Washington.

For more information about dual membership rights, refer to the DRS publication, *What Is Dual Membership and How Does it Affect Me?* This brochure is available on the DRS Internet site or in print format through DRS or your personnel/payroll office. See below for Internet address and DRS contact information.

What do I need to do?

To initiate the recovery of withdrawn or optional service credit, or to obtain an estimate for the cost of recovering withdrawn or optional service credit, contact DRS. Be sure to provide your:

- Name,
- Retirement system,
- Social Security Number,
- Mailing address, and
- Daytime telephone number.

Send your mail to:

Department of Retirement Systems Name of your System (PERS, SERS, TRS) PO Box 48380 Olympia WA 98504-8380
--

DRS telephone contacts

Toll-free at 1-800-547-6657. Olympia area members call (360) 664-7000.

Email address

recep@drs.wa.gov

DRS Internet site

You will find this publication and a variety of other information about your retirement plan by visiting the DRS Internet site (<http://www.wa.gov/DRS/drs.html>).